

in the Matter of Essential Air Service at )  
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**EGEGIK, AK** )  
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**GRANT AVIATION'S VARIED UNIT COSTS  
FOR THE SAME AIRCRAFT AT THE SAME HUB  
ARE AN UNFAIR AND DECEPTIVE BUSINESS PRACTICE**

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September 6, 2021

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Docket DOT-OST-2015-0242

Grant's bid to serve Egegik is the latest in its series of "cut-to-fit" proposals for EAS service in Bristol Bay. Grant's bids are opaque, incoherent and inconsistent.

As shown below, Grant's unit costs for direct expenses varied widely over the four bids submitted in just the last six months.

| <b>GRANT UNIT COST COMPARISON - Cessna 207</b> |                 |              |                                     |              |                      |
|--|-----------------|--------------|-------------------------------------|--------------|----------------------|
| ITEM   | South<br>Naknek | Igiugig      | Pilot Point/<br>Ugashik      Egegik |              | Variance<br>High/Low |
| Dated Filed                                    | 3/16/2021       | 6/22/2021    | 6/22/2021                           | 9/13/2021    |                      |
| <b>DIRECT EXPENSE</b>                          |                 |              |                                     |              |                      |
| Pilot Comp                                     | \$ 28,640       | \$ 26,067    | \$ 59,597                           | \$ 26,809    |                      |
| Fuel & Oil                                     | \$ 7,608        | \$ 18,497    | \$ 76,522                           | \$ 14,202    |                      |
| Maintenance <u>1</u> /                         | \$ 34,673       | \$ 56,178    | \$ 119,141                          | \$ 48,718    |                      |
| Insurance                                      | \$ 7,376        | \$ 14,521    | \$ 23,070                           | \$ 11,880    |                      |
| Ownership                                      | \$ 8,550        | \$ 16,831    | \$ 41,670                           | \$ 7,200     |                      |
| Total Directs                                  | \$ 86,847       | \$ 132,094   | \$ 320,000                          | \$ 108,809   |                      |
| Block Hours                                    | <b>78.0</b>     | <b>169.0</b> | <b>339.7</b>                        | <b>210.0</b> |                      |
| Per Block Hour                                 |                 |              |                                     |              |                      |
| Pilot Comp                                     | \$ 367.18       | \$ 154.24    | \$ 175.44                           | \$ 127.66    | 287.6%               |
| Fuel & Oil                                     | \$ 97.54        | \$ 109.45    | \$ 225.26                           | \$ 67.63     | 333.1%               |
| Maintenance <u>1</u> /                         | \$ 444.53       | \$ 332.41    | \$ 350.72                           | \$ 231.99    | 191.6%               |
| Insurance                                      | \$ 94.56        | \$ 85.92     | \$ 67.91                            | \$ 56.57     | 167.2%               |
| Ownership                                      | \$ 109.62       | \$ 99.59     | \$ 122.67                           | \$ 34.29     | 357.8%               |
| Total Directs                                  | \$ 1,113.42     | \$ 781.62    | \$ 942.01                           | \$ 518.14    | 214.9%               |
| Average Stage Length                           | 13.0            | 52.0         | 45.5                                | 43.0         |                      |
| Fuel Burned@15.7 GPH                           | 1224.6          | 2653.3       | 5333.3                              | 3297.0       |                      |
| \$/Gallon                                      | \$ 6.21         | \$ 6.97      | \$ 14.35                            | \$ 4.31      |                      |
| Block Speed (mph) <u>2</u> /                   | 52.0            | 96.0         | 111.4                               | 92.1         |                      |

Compared to the Pilot Point/Ugashik EAS bid submitted only three months ago, the Egegik bid demonstrates a determined and heavy handed attempt to cut expenses in any way possible.

The most obvious comparisons are for total direct expenses per block. In the Pilot Point/Ugashik bid, Grant estimated its direct costs at \$942.01/block hour. For Egegik , filed three months later, Grant used \$518.14/block hour. Both bids were for the same Cessna 207 aircraft, which serve both markets from King Salmon. The projected costs for Egegik are 45% lower per block hour than for Pilot Point/Ugashik.

It gets weirder and more befuddling if we look at the individual components of the total unit costs. Fuel & Oil costs were bid at \$225.26 per block hour at PIP/UGS, yet only \$67.63 for EGX. This is for the same fuel, pumped from the same truck by the same Grant employees into the same airplane. The pilots flying the Egegik service apparently get about \$50 per hour less than flying to Pilot Point/Ugashik in the identical airplane. For the same aircraft serviced by the same mechanics, maintenance expenses for the PIP/UGS service costs \$350.72 per hour, or more than 50% more than the \$231.99 used for Egegik. The airplanes are covered by the same insurance policies, but for Egegik the bid is for \$56.57, while for PIP/UGS it is \$67.91. One might suppose that the ownership cost per hour for the same aircraft would be identical, but it is \$34.29 per hour for Egegik, only 28% of the \$122.67 per hour bid for PIP/UGS. The Egegik bid, submitted three months after the PIP/UGS bid assumes direct expenses 45% lower. It is beyond belief that Grant's costs went down by 45% over three months.

Grant is simply using the EAS process as a competitive hammer. It bids high when it thinks it can, and bids low to deprive Tanana of revenue. This is an unfair and deceptive business practice as the revenues of expenses used to project subsidy need in markets using the same hub and the same aircraft vary wildly and unpredictably for bids submitted even the same day. (see Igiugig and Pilot Point/Ugashik bids above) The bottom line is that Grant determines the subsidy need it wishes to obtain benefit for itself or harm for competitors. This clearly subverts open and honest competition for the benefit of the communities involved.

The communities have begun to recognize this. Two years ago the City of Ekwok supported Grant. Two years later, based on Grant's service, it now supports Tanana. Tanana had only served Perryville on charters with a Cessna 207, Once it got a Caravan, the community unanimously supported Tanana over the incumbent Grant. The same is true for South Naknek. The fact is that Tanana is an efficient, community-oriented carrier that submits and justifies its bids in a transparent and consistent (albeit predictable) fashion. Based on cost, quality of service and community orientation, Tanana is the better choice for Egegik EAS service.

Respectfully submitted,

Bidzy Ta Hot' Aana, Inc., d/b/a Tanana Air Service

A handwritten signature in blue ink, appearing to read "Hank Myers", is positioned above the typed name of the authorized agent.

By Hank Myers, its authorized agent

October 5, 2021